

**BEFORE THE INDEPENDENT HEARINGS PANEL  
AT PORIRUA CITY**

**UNDER THE**

Resource Management  
Act 1991

**IN THE MATTER OF**

the hearing of submissions  
on the Proposed Porirua  
District Plan

**(Future Urban Zones)**

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**ECONOMIC RIGHT OF REPLY OF PHILIP MARK OSBORNE ON BEHALF OF  
PORIRUA CITY COUNCIL**

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1. My name is Philip Osborne. My experience and qualifications are outlined in paragraphs 2-3 of my rebuttal statement for this hearing dated 5 July 2022.
2. This economic right of reply responds to a request by the Panel to provide a consolidated capacity table across the various updated versions of the capacity model.
3. I have also responded to the verbal evidence of Mr Thompson in response to Commissioner questioning, and a further statement by Mr Thompson dated 4 July 2022 summarising his evidence and which also included additional information referring to the comparison of greenfield land provision for his identified Territorial Authorities. I have focussed on responding to statements raised by this witness, and some of the higher-level key issues that flow on from these as I see them.

**Capacity Modelling Comparisons**

4. The following table is in response to a request from the Panel for me to provide a table showing the theoretical, feasible and realisable housing supply numbers as per the 2019 HBA, the 2021 revision, and the work supporting the forthcoming 'Variation' in a consolidated table.

5. Table 1 below outlines the total changes to the 2019 modelling (ODP) in comparison to the updated 2021 modelling under the PDP, followed by the introduction of Variation 1 (including consideration of 'Qualifying Matters'<sup>1</sup>)

**Table 1: Capacity Modelling Comparisons**

	Short Term	Medium Term	Long Term	Total
<b>2019 ODP Modelling</b>				
Demand (+ NPS Margin)	2,026	3,890	8,062	13,978
Latent Capacity		1,778	-112	
Greenfield Capacity	1,654	2,000	1,900	5,554
Realisable Capacity	2,150			2,150
Total Capacity (Supply Available)	3,804	3,778	1,788	7,704
<b>Difference</b>	<b>1,778</b>	<b>-112</b>	<b>-6,274</b>	<b>-6,274</b>
<b>Notified PDP</b>				
Demand (+ NPS Margin)				11,800
Greenfield Capacity*				5,554
Realisable Capacity (Updated Valuations)				10,957
Total Capacity (Supply Available)				16,511
<b>Difference</b>				<b>4,711</b>
<b>2022 PDP (Plus Variation 1)**</b>				
Demand (+ NPS Margin)				11,800
Greenfield Capacity**				6,604
Realisable Capacity				20,377
Total Capacity (Supply Available)				26,981
<b>Difference</b>				<b>15,181</b>

\* Greenfield includes both proposed 'live zoned' and future urban capacity

\*\* Includes additional capacity within the 'Northern Growth Corridor' due to increased density

\*\*\* Note this now includes consideration of 'Qualifying Matters' (QFM)

## Reply to Verbal and Economic Summary Statements for Silverwood

<sup>1</sup> As defined in s77I of the RMA

### Misinterpretations of Economic Position

6. In replying to questions from the Panel Mr Thompson stated my position requires prices to continue to rise to enable brownfield development. This is not the case. The 'short-term' pain I referred to has been felt already in the market. Market prices are currently falling and even at current price levels the proposed brownfield provision is feasible within the market. The key concern I have is the impact greenfield competition will have on the likelihood of economically efficient brownfield development.
7. My position is simple, housing affordability is a key issue for Porirua. There is a need within the Porirua market to increase the supply of built residential product, while considering the economic efficiency and costs associated with this capacity. The Porirua PDP provides significant levels of greenfield choice, while limiting the impact on the feasibility rates for the substantial levels of brownfield provided by the PDP and the imminent mandatory Variation 1. This approach provides for an efficient land use (cheaper sites) and a housing product that will materially contribute to affordability (without further price increases).
8. Further, Mr Thompson's concept that developers will 'have to eventually, sell affordable housing' is flawed since the market, for new houses, is not limited to buyers who seek to occupy them themselves. A key issue with the continuation of price increases in demand from investors who are able to pay above standard market, given past expectations and favourable tax systems. The recent levels of capital gain on residential product have bolstered the investment market meaning an increasing level of rental product at much higher capital values. This has left the market with residential product that does not fit the ability and willingness (demand) of the actual occupying market. The product produced is generally larger and utilises more land than the residential 'buying' market can afford. This is a key reason for the need to develop denser (less land utilisation) and more efficient typologies of product that have good access to amenity, transport and employment opportunities.

### Mr Thompson's Economic Position

9. Mr Thompson stated that '15 developers with a total of 500ha of greenfield' is better than '2 developers with 1,000ha of greenfield'. This supports his position in his evidence in chief that the crucial issue is the number (20-25) of developers. He provides no factual evidence to support this. In fact, to the contrary, his 'assessment' within his hearing summary suggests that the quantum of greenfield

land is more important (hence his application of the Christchurch market as an 'example').

- 10.** Mr Thompson's position relies heavily on his view that the level of greenfield land supply is irrelevant as long as there are a 20-25 developers in the Porirua market. This would either suggest that current supply is simply divided amongst new developers or that the Council must allow an unlimited amount of greenfield land supply based on new developer applications (until 25 developers are reached). Mr Thompson provides no robust economic evidence to suggest such an economic approach would provide an efficient economic outcome and deliver affordable housing in Porirua. I am unaware of any other local authority in New Zealand following this approach. However, I am aware of many local authorities who limit the amount of land available for future growth.
- 11.** Furthermore, Mr Thompson appears to have dismissed the potentially significant economic costs (Marginal Social Cost – MSC) associated with greenfield development by simply stating that land price in Porirua is \$400,000 - \$500,000 too expensive which represents a \$7.4b cost to the community. The most recent Porirua valuations in 2019 of all residentially zoned land in Porirua totalled \$4.8b. With an estimated 55% increase since that valuation the total value of this land in Porirua is still less than the \$7.4b cited by Mr Thompson. While this is clearly not the cost associated with unaffordability as identified by Mr Thompson, it also fails to consider the substantial economic impact of eradicating the major asset for over 50% of the Porirua community. Put simply, Mr Thompson's position on this point is economically untenable.
- 12.** This is however, in keeping with his assessment of affordability by 'city', where he states that the 24 years of zoned and serviced land in Christchurch has resulted in affordable housing. Again, Mr Thompson fails to correlate this example to his fundamental conclusion regarding the number of developers required in a market to deliver affordable dwellings. In Porirua the average house price figure is over \$900,000 at present, with at least \$500,000 of this being development and construction costs rather than land costs. This would mean for Porirua homes to be affordable, applying Mr Thompson's rationale, land values would have to fall to a value of almost zero deliver an affordable home. This again is an implausible economic reality.
- 13.** My position is that both these inputs should be addressed with a reduction in site costs (through smaller sites) and a market where typology and home size can be

addressed. This likely to result in cheaper land and lower construction costs which combined have an increased propensity to deliver more affordable homes.

14. In terms of Mr Thompson's overall position with regard to 'greenfield years' being a primary driver of land costs, he has misrepresented even his own findings. There is clearly no relationship between proportionate level of land values for any of the other cities he cites, with the exception of the Christchurch outlier (which is the only city that has been still increasing in price recently, (albeit starting to plateau). Christchurch can be considered an outlier due to the influence of the Canterbury earthquakes on the market. This resulted in a \$40b public fund injection in a city 'blessed' with ample flat land. Additionally, Porirua (along with nearly all the other areas, except Christchurch) has a further 3,500 greenfield dwelling capacity that under the PDP is live zoned with anticipated infrastructure increasing the capacity 'years' under Mr Thompson's modelling to nearly 20 years.
15. In terms of the Silverwood submission, it is difficult to reconcile Mr Thompson's position that an addition of 500 dwellings (for which feasibility remains unproven) is likely to have a more significant impact on housing affordability in Porirua than the additional 10,000 feasible dwellings through the MDRS and Variation 1.
16. Practically, Mr Thompson suggests that the more recent market has trended significantly to the provision of greenfield development. Paragraph 15 of his evidence in chief states, under the PDP, only 46 brownfield dwellings per annum have been produced, the rest have been greenfield. This in itself illustrates the impact greenfield provision has on brownfield feasibility. It is important in considering a competitive market moving forward that the PDP provides for over 6,000 greenfield dwellings already. It is also important to note that during a time where greenfield development dominated, residential prices in Porirua have seen material increases, impacting affordability.
17. Mr Thompson has provided no evidence to support a position that additional greenfield capacity (or greenfield developers) is required in Porirua to either meet short, medium or long term sufficiency requirements, or would deliver more affordable housing to the city. I maintain my view that his evidence has no economic or regulatory merit, and my economic position outlined in my evidence remains.

**28 July 2022**

**Philip Osborne**